

## Message Text

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60

ORIGIN EUR-12

INFO OCT-01 ISO-00 PM-03 L-03 CIAE-00 H-02 INR-07 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07 COME-00

TRSE-00 MC-02 ACDA-05 OMB-01 /073 R

DRAFTED BY EUR/CE:BAFLATIN:LCB

APPROVED BY EUR/CE:DANDERSON

PM/SAS:RWSMITH (SUBSTANCE)

L/PM:TABOREK (SUBSTANCE)

EB/OT/STA:WCLARK (INFO)

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P 182142Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY BERN PRIORITY

C O N F I D E N T I A L STATE 143262

E.O. 11652: GDS

TAGS:PFOR, MASS, ETRD, SZ

SUBJECT: MEMORANDUM OF UNDERSTANDING ON OFFSET PROGRAM  
FOR SALE OF NORTHROP F-5 AIRCRAFT TO SWITZERLAND

REF: BERN 2400

1. ON JUNE 18 THE DEPARTMENT OF STATE INFORMED THE  
DEPARTMENT OF DEFENSE THAT IT HAD NO OBJECTIONS TO THE  
REVISED MEMORANDUM OF UNDERSTANDING (MOU) INITIALLED ON  
JUNE 14 BY MR. FISH FOR THE DOD AND HERR GROSSENBACHER  
FOR THE SWISS FEDERAL MILITARY DEPARTMENT. THIS  
CLEARANCE WAS BASED UPON THE TERMS OF THE CIRCULAR  
175 AUTHORITY GRANTED BY ACTING SECRETARY INGERSOLL ON  
MAY 28, WHICH AUTHORIZED THE NEGOTIATION AND CONCLUSION  
OF THE MOU.

2. ON JUNE 16, AMBASSADOR FELIX SCHNYDER OF THE SWISS  
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EMBASSY TOLD AN EUR/CE OFFICER THAT GROSSENBACHER WAS  
SATISFIED THAT THE REVISED MOU WOULD BE OF ASSISTANCE IN  
THE PRESENTATION OF THE F-5 PROGRAM TO PARLIAMENT.

3. THERE FOLLOWS THE TEXT OF THE MOU:

BEGIN TEXT

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF  
THE SWISS CONFEDERATION AND THE GOVERNMENT OF THE UNITED  
STATES CONCERNING THE F-5 PROGRAM

1. THE GOVERNMENT OF THE SWISS CONFEDERATION, ACTING  
THROUGH THE FEDERAL MILITARY DEPARTMENT (HEREINAFTER CALLED  
THE FMD) INTENDS TO PURCHASE A QUANTITY OF F-5E AND F-5F  
AIRCRAFT, WITH ASSOCIATED SUPPORTING DEFENSE ARTICLES AND  
SERVICES, FROM U.S. SOURCES THROUGH THE UNITED STATES  
DEPARTMENT OF DEFENSE (HEREINAFTER CALLED THE DOD)  
UNDER FOREIGN MILITARY SALES PROCEDURES.

2. THE GOAL OF THE MEMORANDUM OF UNDERSTANDING (MOU)  
IS TO OFFSET TO THE MAXIMUM EXTENT POSSIBLE THE AMOUNT  
TO BE PAID BY THE SWISS GOVERNMENT FOR THE AIRCRAFT AND  
SUPPORTING EQUIPMENT SET OUT IN PARAGRAPH 1 BY PLACING  
CONTRACTS ON A COMPETITIVE BASIS WITH SWISS INDUSTRIES,  
BUT IN NO EVENT WILL THE GOAL BE LESS THAN 30.

3. THE UNITED STATES GOVERNMENT, ACTING THROUGH THE DOD,  
AND THE GOVERNMENT OF THE SWISS CONFEDERATION, ACTING  
THROUGH THE FMD, IN SEEKING TO ATTAIN THIS GOAL, WILL  
LOOK TO THOSE U.S. FIRMS BENEFITING SUBSTANTIALLY FROM  
THE SWISS PURCHASE TO CARRY THE PRIMARY BURDEN OF  
OFFSET IMPLEMENTATIONS. IT WILL BE THE BASIC  
RESPONSIBILITY OF INDUSTRY IN EACH COUNTRY TO IDENTIFY  
AND DEFINE THEIR CAPABILITIES AND TO CARRY OUT THE  
SUPPORTING ACTIONS TO FACILITATE THE INDUSTRIAL  
PARTICIPATION ENVISIONED HEREIN. DURING THE FIRST TWO  
YEARS THE PRIMARY BURDEN OF OFFSET IMPLEMENTATION WILL  
BE UPON NORTHROP, GENERAL ELECTRIC AND RELATED CONTRAC-  
TORS. HOWEVER, IF DURING THAT PERIOD SWISS INDUSTRY  
OFFERS ITEMS WHICH CAN MEET VALID U.S. DEFENSE  
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PROCUREMENTS ON A COMPETITIVE BASIS, THE PROVISIONS OF  
PARA 5 WILL BE APPLICABLE. AFTER SUCH TWO YEAR PERIOD  
REPRESENTATIVES OF THE PARTIES HERETO, WITH APPROPRIATE  
REPRESENTATIVES FROM THE INDUSTRIAL SECTORS, WILL MEET  
TO REVIEW PROGRESS HEREUNDER. SHOULD IT BE APPARENT  
THAT THE OFFSET OBJECTIVES MAY NOT BE REACHED BEFORE  
THE EXPIRATION OF THE MOU, THE DOD WILL AUGMENT INDUSTRY  
EFFORTS TO REACH THAT OBJECTIVE BY OFFERING TO SWISS  
INDUSTRY THE OPPORTUNITY TO PROVIDE DEFENSE ARTICLES AND  
SERVICES UNDER COMPETITIVE SOLICITATION PROCEDURES AND  
IN ACCORDANCE WITH PARAGRAPH 5.

4. (A) IN ORDER TO ACHIEVE THE GOAL THE DOD, CONTINGENT ON

THE SALE OF THE ABOVE QUANTITIES OF AIRCRAFT TO THE GOVERNMENT OF THE SWISS CONFEDERATION, AGREES TO USE ITS BEST EFFORTS TO HAVE NORTHROP, GENERAL ELECTRIC, AND

OTHER COMPANIES ASSOCIATED WITH THE F-5E AND F AIRCRAFT PROGRAM PROVIDE SWISS INDUSTRY WITH THE OPPORTUNITY TO COMPETE, ON AN EQUAL BASIS WITH U.S. INDUSTRY AND OTHER SOURCES FOR SUB-CONTRACTS. IN ADDITION, THE DOD WILL ENCOURAGE THE PRIME CONTRACTORS (NORTHROP AND GE) TO IMPLEMENT THEIR PLANS FOR EXPANSION OF SWISS PRODUCTS IN THE U.S. AND THIRD-COUNTRY MARKETS.

(B) SWISS ITEMS PURCHASED BY U.S. SOURCES (INCLUDING MUNICIPALITIES) AND SWISS ITEMS PURCHASED BY THIRD-COUNTRY SOURCES AS A RESULT OF THE EFFORTS OF NORTHROP, GE AND OTHER U.S. CONTRACTORS ASSOCIATED WITH THE F-5 PROGRAM WILL BE RECOGNIZED IN ANY COMPUTATION OF OFFSET AMOUNTS. THE PRIMARY TEST WILL BE A MUTUAL ACCORD AS TO WHETHER OR NOT A GIVEN SALE OCCURED AS A RESULT OF - EFFORTS ARISING FROM THIS OFFSET AGREEMENT. TO FACILITATE THESE COMPUTATIONS THE DOD WILL LOOK PRIMARILY TO THE CONTRACTOR TO KEEP RECORDS ADEQUATE FOR THIS PURPOSE.

5. THE DOD AGREES THAT IN SEEKING TO ATTAIN THIS GOAL, IT WILL:

(A) PROVIDE FOR WAIVER OF THE COST OF IMPORT DUTIES IN CONFIDENTIAL

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EVALUATING DEFENSE PRIME CONTRACTS AND SUB-CONTRACT SOLICITATIONS FROM SWISS INDUSTRY AND FOR THE NECESSARY DUTY-FREE ENTRY CERTIFICATES AND RELATED DOCUMENTATION.

(B) EMPHASIZE THAT IN INVITING SUBMISSION OF SELECTED TENDERS, SPECIAL CONSIDERATION SHOULD BE GIVEN TO THOSE ITEMS FOR WHICH SWISS INDUSTRY CAN BID ON A COMPETITIVE BASIS.

(C) USE ITS BEST EFFORTS TO HAVE TECHNICAL DATA REQUIRED FOR PRODUCTION TO SWISS CONTRACTORS BE PROVIDED ON A REASONABLE COST BASIS.

(D) FACILITATE THE NECESSARY EXPORT LICENSES REQUIRED FOR THE PROVISION OF BID PACKAGES AND RELATED TECHNICAL DATA TO ACCOMPLISH THE ABOVE.

(E) PROVIDE FOR WAIVER TO THE EXTENT PERMITTED UNDER "BUY NATIONAL" LEGISLATION AND REGULATIONS.

6. THE FMD AND ITS ORGANIZATIONS WILL USE THEIR GOOD OFFICES AND AUTHORITY TO ACHIEVE THE ESTABLISHED

PROCUREMENT OBJECTIVES. THIS WILL INCLUDE, IN ADDITION  
TO THE PURCHASE OF THE F-5 AIRCRAFT, THE FOLLOWING:

(A) DIRECTION TO SWISS INDUSTRY ON STEPS TO BE TAKEN BY  
SWISS INDUSTRIAL FIRMS TO MAKE KNOWN THEIR CAPABILITIES  
AND PRODUCTS WHICH MIGHT QUALIFY FOR COMPETITIVE  
PROCUREMENT BY U.S. INDUSTRY AND, TO THE EXTENT NECESSARY,  
BY THE DOD;

(B) ADVICE TO SWISS INDUSTRY ON THE NECESSARY STEPS  
THEY MUST TAKE TO COORDINATE THEIR EFFORTS IN RESPONDING  
TO U.S. OFFERS;

(C) ASSISTANCE TO SWISS INDUSTRY IN MEETING HANDLING  
REQUIREMENTS FOR CLASSIFIED U.S. INFORMATION.

7. THE FMD AND THE DOD WILL APPOINT PROJECT OFFICERS TO  
MONITOR PROGRESS TOWARD THE OBJECTIVE OF THIS MOU. THESE  
PROJECT OFFICERS WILL MEET PERIODICALLY, BUT NOT LESS THAN  
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ANNUALLY, TO REVIEW THE PROGRESS OF THIS UNDERSTANDING  
AND RECOMMEND SUCH ACTION AS MAY APPEAR NECESSARY TO  
CARRY OUT ITS OBJECTIVE.

8. AT THE END OF EVERY TWO YEARS, REPRESENTATIVES OF THE  
PARTIES HERETO WITH APPROPRIATE REPRESENTATIVES FROM THE  
INDUSTRIAL SECTORS WILL MEET TO REVIEW PROGRESS UNDER  
THIS MOU.

9. THIS MEMORANDUM OF UNDERSTANDING IS EFFECTIVE ON  
THE DATE ON WHICH IT IS SIGNED, AND SHALL REMAIN IN EFFECT  
FOR EIGHT YEARS, SUBJECT TO THE RESPECTIVE LAWS OF  
THE GOVERNMENT OF THE SWISS CONFEDERATION AND THE  
GOVERNMENT OF THE UNITED STATES.

(S/S:H.M.FISH) 14 JUNE 75  
THE SECRETARY OF DEFENSE  
OF THE UNITED STATES OF AMERICA

(S/S:GROSSENBACHER) 14 JUNE 75  
THE CHIEF OF THE  
FEDERAL MILITARY DEPARTMENT

END TEXT INGERSOLL

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<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
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**Current Classification:** UNCLASSIFIED  
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